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ABSTRACT

This is the twenty-second in a set of 36 teacher guides to the Entrepreneurship Training Modules and accompanies CE 031 072. The purpose of this module is to give students some idea of what it is like to own and operate a restaurant. Following an overview are general notes on use of the module. Suggested steps for module use contain suggestions on introducing the module, a brief discussion of the nine units, responses to learning activities, suggestions for summarizing the module, and responses to the quiz. The units are Planning a Restaurant; Choosing a Location; Getting Money to Start; Being in Charge; Buying and Keeping Track of Supplies; Setting Prices; Advertising and Selling; Keeping Financial Records; and Keeping Your Business Successful. Each unit contains a case study; responses to individual activities; responses to discussion questions; and a group activity. Suggested readings for the teacher and a list of goals and objectives complete the module. (CT)

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Entrepreneurship Training Components

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GETTING DOWN TO BUSINESS:

Restaurant Business

Module 22

Teacher Guide

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GETTING DOWN TO BUSINESS:

Restaurant Business

Marcella Kingi

May 1981

Developed at the American Institutes for Research
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U.S. Education Department

TABLE OF CONTENTS

Overview 1

Suggested Steps for Module Use 4

Introduction 4

Unit 1 5

Unit 2 6

Unit 3 8

Unit 4 10

Unit 5 12

Unit 6 14

Unit 7 15

Unit 8 17

Unit 9 19

Summary 21

Quiz 21

Suggested Readings 24

Goals and Objectives 25

OVERVIEW

The purpose of these Getting Down to Business modules is to provide high school students in vocational classes with an introduction to the career option of small business ownership and to the management skills necessary for successful operation of a small business. Developed under contract to the Office of Vocational and Adult Education, U.S. Department of Education, the materials are designed to acquaint a variety of vocational students with entrepreneurship opportunities and to help reduce the high failure rate of small businesses.

As the students become familiar with the rewards and demands of small business ownership, they will be able to make more informed decisions regarding their own interest in this career possibility. It is hoped that, as a result of using these materials, some students will enter small business ownership more prepared for its challenges. Others will decide that entrepreneurship is not well suited to their abilities and interests, and they will pursue other career paths. Both decisions are valid. The materials will encourage students to choose what is best for them.

These Getting Down to Business modules are designed to be inserted into ongoing high school vocational programs in the seven vocational disciplines--Agriculture, Distributive Education, Occupational Home Economics, Business and Office, Trades and Industry, Technical, and Health. They will serve as a brief supplement to the technical instruction of vocational courses, which prepare students well for being competent employees but which generally do not equip them with skills related to small business ownership. The modules are self-contained and require a minimum of outside training and preparation on the part of instructors. Needed outside resources include only those types of materials available to all students, such as telephone directories, newspapers, and city maps. No special texts or reference materials are required. For further optional reading by instructors, additional references are listed at the end of the Teacher Guide. An annotated Resource Guide describing especially valuable entrepreneurship-related materials is also available.

The purpose of this module is to give students some idea of what it is like to own and operate a restaurant. Students will have an opportunity to learn about the kinds of activities and decisions a restaurant owner is involved in every day. While the module is not a complete "how-to" manual, the individual lessons will provide your class with the chance to practice many of these activities and decisions.

Today, owners of small businesses face many problems--some minor, some not so easily taken care of. These problems are reflections of the changes our society is going through. While this module cannot address itself to all of them, the discussion questions at the end of each unit are designed to give students an opportunity to explore possible solutions.

You may want to present this module after completing Module 1, Getting Down to Business: What's It all About? Module 1 is a 16-hour program

covering a more in-depth approach to owning any small business. The terms introduced in Module 1 are used in this module with a restatement of their definitions. Also, the forms used are the same, with some minor changes to fit the restaurant business specifically. Module 1 provides an introduction to owning a small business in addition to some skills and activities that, due to their general nature, are not covered in this module.

Content Organization

Each unit of the module contains the following:

1. Divider Page--a list of what the student should be able to do at the end of that unit.

2. Case Study--an account of a business owner in the field.

3. Text--three to four pages outlining business management principles introduced in the case study but focused more on the student.

4. Learning Activities--three separate sections, including:

   a. Individual Activities--finding information given in the text or applying information in the text to new situations.

   b. Discussion Questions--considering broad issues introduced in the text; several different points of view may be justifiable.

   c. Group Activity--taking part in a more creative and action-oriented activity; some activities may focus on values clarification.

General Notes on Use of the Module

Instructional Time:	Each unit = 1 class period; total class periods	= 9
	Introduction, quiz, summary	= 1
	Total instructional time = 10 class periods	

The case study and text are central to the program's content and are based on the instructional objectives appearing in the last section of this Guide. Learning activities are also linked to these objectives. You will probably not have time, however, to introduce all the learning activities in each unit. Instead, you will want to select those that appear most related to course objectives, are most interesting to and appropriate for your students, and are best suited to your particular classroom setting. Certain learning activities may require extra classroom time and may be used as supplementary activities if desired.

Before presenting the module to the class, you should review both the Student and Teacher Guides and formulate your own personal instructional approach. Depending on the nature of your classroom setting and the students' abilities, you may want to present the case study and text by

instructional means that do not rely on students' reading--for example, through a lecture/question-answer format. Case studies and certain learning activities may be presented as skits or role-playing situations.

No particular section of the module is designated as homework, but you may wish to assign certain portions of the module to be completed out of class. You may want students to read the case study and text in preparation for discussion in the next class period, or you may want them to review the material at home after the class discussion. You may also prefer that students read the material in class. Similarly, individual activities may be completed in class or for homework. Discussion questions and group activities are specially intended for classroom use, although some outside preparation by students may also be needed (for example, in the case of visiting a small business and interviewing the owner).

Methods that enhance student interest in the material and that emphasize student participation should be used as much as possible. Do not seek to cover material exhaustively, but view the course as a brief introduction to entrepreneurship skills. Assume that students will obtain more job training and business experience before launching an entrepreneurial career.

The quiz may be used as a formal evaluation of student learning or as a self-assessment tool for students. Answers to learning activities and the quiz are provided in a later section of this guide.

SUGGESTED STEPS FOR MODULE USE

Introduction (10-15 minutes)

I. In introducing this module, you will probably want to find out what students already know about the restaurant business.

- Ask if they know the two basic types of food service ("luxury" and "fast food").
- Ask what personal qualities are necessary to be a successful restaurant owner (really like food and people; be skilled in preparing and serving food; have good business sense; be willing to work hard and long hours; maintain high standards for food quality).
- Ask them what they think the advantages of owning their own restaurant might be.
- Ask them what disadvantages they see.

II. Discuss small businesses briefly. Over 90% of all businesses in the United States are small businesses. In this module we will be dealing with very small businesses, meaning a self-employed owner working alone or with one to four employees. Often small businesses are owned and run by members of a family.

III. Discuss the purposes of the module:

- To increase students' awareness of small business ownership as a career option.
- To acquaint students with the skills and personal qualities restaurant owners need to succeed.
- To acquaint students with the kind of work small business owners do in addition to using their vocational skills.
- To expose students to the advantages and disadvantages of small business ownership.

IV. Emphasize that even if students think they lack management aptitudes, some abilities can be developed. If students "turn on" to the idea of small business ownership, they can work at acquiring abilities they don't have.

Also, students who work through this module will have gained valuable insights into how and why business decisions are made. Even if they later choose careers as employees, they will be better equipped to help the business succeed because of their understanding.

Unit 1 - Planning a Restaurant (1 class period)

I. Case Study: Manuel Hernandez is thinking of opening his own restaurant. He thinks about his personal characteristics and considers what he has learned about the restaurant business while working as a waiter in different restaurants.

Text: Services, Customers, and Competition
Personal Qualities and Skills
How to Compete Well
Special Business Image
Legal Requirements

II. Responses to Individual Activities

1. Restaurant ownership requires knowledge about:

   (1) Manufacturing--preparing food
   (2) Retailing--selling food
   (3) Service trades--problems that occur in this area

2. Luxury and fast food. The luxury restaurant includes family and entertainment types. These types provide slowly prepared meals with a relaxed atmosphere at a higher cost, while the fast food business caters to quickly prepared food at a lower cost for people in a hurry.

3. Any two:

   (a) Business workers might eat in cafeterias where they work.

   (b) Shoppers or business workers in a hurry might eat at lunch counters in fast food places.

   (c) Travelers or professional people usually eat in luxury restaurants where they can relax.

   Students might come up with some other ideas that may be valid answers.

4. Students will have checked items that apply to them.

5. Any name that suggests the specialty offered is satisfactory.

6. Answers depend on your location.

III. Responses to Discussion Questions

1. People eat in restaurants for various reasons. Their preferences may depend on the occasion, finances, or their desire for a particular taste. Discuss the various social and economic reasons for eating out as opposed to eating at home.

2. The positive aspect: Manuel's experience in restaurants, his attitude, and his personality. He likes people and enjoys working with them; he wants to be his own boss.

   The negative aspect: No direct business experience, possible language difficulties. You might want to discuss students' feeling about language barriers in deciding to open a service oriented business.

3. Discuss points such as these: increase in gasoline cost and its potential effect on customer flow; the possibility of more business due to increased foot traffic of local community residents. Increases in the cost of living (food costs) may make it more economical to eat out.

IV. Group Activity

This activity is designed to acquaint students with a real-life restaurant owner. The principles in the text regarding the characteristics and responsibilities of a restaurant owner should be reinforced by the students' personal contact with such a person.

A list of sample questions for the visitor is provided. Be sure the speaker knows the kind of questions he or she should address at least a week before the presentation. Since the focus is on management activities and requirements, the speaker may find this a little different from the usual class presentation.

You will probably want to allow questions and answers after the presentation. You may also want to have a brief discussion of what the class thought about the presentation after it's over. This activity will probably require extra classroom time. Class discussions may follow during the next classroom session, which may give students an opportunity to think of additional areas of discussion.

Unit 2 - Choosing a Location (1 class period)

I. Case Study: Manuel knew the location he wanted for his own restaurant. By chance, he is referred to the exact location by a friend. He finds that there is a small, fully equipped restaurant that the owner wants to sell for little or nothing. He decides to buy the restaurant.

Text: Things to Think About in Deciding Where to Choose a Location
- Competition
- Possible income
- Transportation

Choosing a Location

II. Responses to Individual Activities

1. Any three:

   (a) Kind of food other restaurants offer
   (b) Special services
   (c) Prices of the meals
   (d) Business hours

2. Answers depend on your location.

3. Responses will depend on each student's research. You should check out the information sources used (probably the Yellow Pages) for accuracy.

4. 2,000 x $1,500 x 5% = $150,000
   (families x income x percent; the percentage of income typically spent for food in restaurants is listed in the text)

5. Responses will depend on each student's research and the location of your community. Use the formula (families x income x 5%) for computation.

6. Any three:

   (a) The number of people who pass by on foot or in cars
   (b) The hours crowds are heaviest
   (c) Where the people are going--home, work, shopping
   (d) The types of businesses nearby
   (e) Plans for growth in the area
   (f) Public parking spaces

7. $10,000 ($500 ÷ .05)

III. Responses to Discussion Questions

1. Responses should be based on the number of existing restaurants (the higher the number, the higher the risk), the average income in the community (affects your possible income), and the amount of rent that should be paid in a month.

2. Responses will depend on the location of your community. Discuss the effects of competition, community income, and availability of transportation in discussion of a successful restaurant.

3. Jack and Betty Jackson's business failed because there was too much competition for food services in the area they chose. Transportation was also poor. Have the students brainstorm their reasons for the Jacksons' business failure.

   The Jacksons should have considered the income level of the community, the competition for food services, and the availability of transportation before deciding on a location.

IV. Group Activity

The purpose of this activity is to give students the opportunity to evaluate possible restaurant locations. In doing so, they will be applying what they learned in this unit.

Unit 3 - Getting Money to Start (1 class period)

I. Case Study: Manuel makes a list of his starting expenses and determines the size of the bank loan he will need. Then he decides to apply for a business loan from the local bank.

Text: Personal Background Information (a Resume)
Business Description
Statement of Financial Need
  Starting Expenses
  Sample Statement

II. Responses to Individual Activities

1. How he will pay his supplier and his strategy for success.

2.

STATEMENT OF FINANCIAL NEED

Starting Expenses		Money on Hand	
Salaries	$ 3,000		
Rent and Utilities	3,200		
Repairs and Renovations	5,000	Cash on Hand	$ 5,000
Equipment and Furniture	3,000	Gifts or Personal Loans	
Food	1,500	Investment by Others	
Advertising	700	TOTAL	$ 5,000
Other*	10,350		
TOTAL	$26,750		

TOTAL STARTING EXPENSES	$26,750
TOTAL MONEY ON HAND	5,000
TOTAL LOAN MONEY NEEDED	$21,750

*business licenses; insurance; accountant; emergencies

3. Business license, insurance and accounting advice; and extra money for problems that might come up.

III. Responses to Discussion Questions

1. Manuel's description is pretty thorough, but some parts have been omitted, as indicated above. A lender would probably have questions for Manuel and might request a more detailed description of his plan.

2. a. personal background information (resume)
   b. more detailed information about Manuel's current financial situation; for example, the debts he owes, etc.
   c. more information about Manuel's chances for success--what strategies he might use to stand out from the competition.

IV. Group Activity

1. Charles' expenses would be lower than Manuel's. His starting expenses would probably include all of the same types of expenses that Manuel has listed with the exception of the property payment, since he has not indicated that he would buy the restaurant. Since Charles' restaurant only seats 20 people, half the number Manuel's restaurant will accommodate, he will probably need only half the amount of food inventory.

2. Charles would need to apply for a loan. The $1,000 he has saved is not enough to cover his starting expenses. He would need to provide background information, a description of his plans, and a statement of financial need, just as Manuel did.

3. Because of Charles' background and experience as a cook, he should be able to get a loan for the starting expenses he would incur in opening his restaurant. Ask students to give their feelings about his decision based on what they have learned in this unit.

Unit 4 - Being in Charge (1 class period)

I. Case Study: Manuel knows how many employees he will need to hire and the type of employees he is looking for. He develops an application form and a list of interview questions.

Text: Tasks
Selecting Job Applicants
Sources of Employees
Detailed Application
Physical Ability
Educational Qualifications
Personal Qualifications
Personal Interview
Personal References
Employee Training

II. Responses to Individual Activities

1. a. Prepare and serve the food
   b. Arrange for food deliveries
   c. Place new orders
   d. Call for repair people
   e. Hire and train new employees
   f. Check cash receipts
   g. Oversee the kitchen

   Students may come up with additional answers that are valid.

2. Any three of the following:
   a. friends and acquaintances
   b. employment agencies
   c. newspaper advertisements
   d. personal applications

3. a. Fill out a detailed application
   b. Provide personal references
   c. Have a personal interview

4. a. Physical ability
   b. Educational background
   c. Personal qualifications

5. A personal interview is especially important because it can tell you about personal qualities that don't show up in the application.

6. A person-to-person call to a reference. This is the most reliable source of information about the applicant.

7. Training employees contributes to greater production, lowers the cost to you, increases employees' job security (which means less supervision), and improves employee attitudes about the job. Good training creates job satisfaction and lowers employee "turnover."

III. Responses to Discussion Questions

1. The discussion should focus on Manuel's needs to hire additional help. Discuss the advantages of part-time and full-time help.

2. Discussion should focus on Carmen's versality as an employee. Manuel could use Carmen as a backup for the cashier, as a waitress, or as a busgirl.

3. Discussion should focus on the time and costs involved in training an inexperienced employee.

4. Discussion should focus on the dependability of an employee. It appears that Michael is not very dependable. You would have to use your own judgment about hiring him. His personality may be an asset to your business, but if he is constantly late and will only stay on the job a short time, it may be costly to you in the long run. A short probation period might be the answer.

IV. Group Activities

The purpose of these role-playing activities is to allow students to practice interviewing and personnel management skills at an elementary level. Simple situations are the basis for the role-playing activities. The expected outcome of the activities is that students will have a clearer understanding of what is involved in these "being in charge" skills and of what it feels like to be the person in charge and/or the employee in possible true-to-life situations.

Have students volunteer to role play, but make sure that everyone ultimately has a turn. Read each situation and briefly discuss with students any questions or comments that make the situation more vivid. Then have each pair and group of five

role play the situations. Ask each how they felt in their roles and solicit from others alternative approaches.

Unit 5 - Buying and Keeping Track of Supplies (1 class period)

I. Case Study: Manuel is pleased with the way the plans for his restaurant are going. He decides what food supplies he needs and who his food suppliers will be.

Text:
- What to buy
- Where to buy
- How to buy
- Suppliers
  - Wholesale grocers
  - Fresh produce suppliers
  - Single product distribution
  - Processed food distributors
- Supplier terms
- Ordering food
- Purchase order
- Inventory control

III. Responses to Individual Activities

1.

PURCHASE ORDER

TO: Main Lobster Exchange
Los Angeles

DATE: June 25

PURCHASE ORDER NUMBER:

REQUIRED DELIVERY DATE: June 28

SHIP TO: La Masia

SHIP VIA: Truck

Quantity	Unit	Description	Unit Cost		Total Cost	
12		Eastern sole			43	80
15		Pacific snappers			26	85
8		White fish			24	00
		TOTAL			94	65

Signature

PURCHASE ORDER

TO: Shelton Poultry
Los Angeles

DATE: June 25
PURCHASE ORDER NUMBER:
REQUIRED DELIVERY DATE: June 28

SHIP TO: La Masia

SHIP VIA: Truck

Quantity	Unit	Description	Unit Cost		Total Cost	
50		Chicken fryers, cut			129	36
80		Chicken breasts			75	21
15		Game hens			20	85
		TOTAL			225	42

Signature

1) Total cost for fish = $94.65
2) Total cost for poultry = $225.42
3) Orders could be placed on a two-week payment basis.
4) Manuel will pay his bill in full at time of delivery.

2. Answers will depend on the type of restaurant students choose to open, and on students' choice of restaurant specialty. Use the Yellow Pages to check the accuracy of suppliers.

3. a. What to buy
   b. Where to buy
   c. How to buy

4. a. Quality and type of merchandise
   b. Prices
   c. Services provided

5. 1. b
   2. c
   3. b
   4. a
   5. d

III. Responses to Discussion Questions

1. The discussion should focus on the size of Manuel's restaurant. His restaurant will accommodate 40 customers. The hourly customer turnover rate per seat in a table service restaurant like Manuel's varies between one and two hours.

2. Discussion should focus on the cost and convenience to the restaurant owner. It may be cheaper for you to buy your supplies from markets at first. This way you will get an idea of what is being sold and for what price. As your business grows, a good salesperson might be helpful.

3. Since Manuel is purchasing meats and perishables, three days is long enough to plan for delivery or purchase.

4. a. How much food is on hand
   b. How much is on order
   c. How much needs to be ordered

IV. Group Activity

The advantages of a good inventory control system are that the restaurant owner will be aware of what comes in and what goes out of his or her restaurant on a daily basis. The owner will know which foods are best liked and which food items to discontinue. An inventory control system will help a restaurant owner plan for future purchases. An inventory control system involves counting food sold and food left unsold. If it really works, there will be little food wasted.

Unit 6 - Setting Prices (1 class period)

I. Case Study: Manuel decides on the prices he will charge for his meals. He knows from working in restaurants that the menu price is double or triple the food cost. Manuel wants to offer lower prices than his competitors.

Text: Pricing meals
Employee wages
Operating expenses
Profit

II. Responses to Individual Activities

1. a) What type of foods are available
   b) How they're prepared
   c) Their cost

2. a) The price of your meal will depend on the type of menu you offer.
   b) The food cost is one-third of the menu price.

3. $6.75 ÷ 3 = $2.25
   $5.50 ÷ 3 = $1.83

4. The purpose of this activity is to improve the students' knowledge of real restaurant operations in your area. By comparing restaurant prices and employee wages to the prices and wages established by the Restaurant Association, students can get a more realistic view of restaurant operations.

5. The study should focus on pricing, wages, operating expenses, and profit.

III. Responses to Discussion Questions

1. The purpose of this activity is to give students a better idea of expenses a restaurant owner would deal with. Try a brainstorming approach in soliciting ideas of expenses. Write all suggested ideas down; eliminate inappropriate or unlikely ones later. Try to encourage ideas that were not mentioned in this unit.

2. Since Manuel must include his operating expenses in pricing meals in order to make a profit and his first thought in owning a restaurant was to offer lower prices, this was probably a wise decision. Students may have other answers that are valid.

3. Today tips are usually 20% of the total meal. Of course, tips depend on the service you receive and are not an initial part of your bill. However, some restaurants do include the tip in their meal prices. Many restaurant employees make as much as or more than their basic salary in tips on a daily basis.

IV. Group Activity

The purpose of this activity is to give students the opportunity to evaluate the pricing policies of real-life restaurant owners. In doing so, they will be applying what they learned in this unit.

Unit 7 - Advertising and Selling (1 class period)

I. Case Study: Manuel decides to give a two-night promotional opening before he officially opens his restaurant. He also decides to use direct mail and advertising in the Yellow Pages as other forms of advertising.

Text: Initiate the sale
Understanding your customers
Advertising
- Yellow Pages
- Newspaper ads
- Direct mail

II. Responses to Individual Activities

1. Meeting the customers

2. Introducing the customers to the type of food and services you offer by giving them your menu.

3. By the type of food left on his or her plate.

4. Any of these three:
   a. slow service
   b. uncomfortable chairs
   c. rocking tables
   d. bad lighting
   e. drafts

5. Customers who don't tell you about their complaints.

6. Word of mouth

7. a. Yellow Pages
   b. Newspaper ads
   c. Direct mail

8. The ad should include the information listed in his present ad in addition to his business hours of 6:00 to 10:00 Tuesday through Sunday.

III. Responses to Discussion Questions

1. The discussion should focus on the cost of ads. Ads are usually based on column inches, with the highest costs being for metropolitan dailies and the lowest for weeklies. Since Jennifer has only a limited amount to spend for advertising, the weekly newspaper would probably be her best selection.

2. The purpose of direct mail is to send your messages to an individual by name. It is the most personal of all advertising. Albert should have contacted the school in the local area for the names of the groups he wanted to contact. Mail addressed "occupant" is usually discarded anyway. This would have been the best means of advertising if Albert had properly addressed his fliers.

IV. Group Activity

The purpose of this activity is to expose students to different types of ads and to help them see the characteristics, advantages, and disadvantages of each.

Unit 8 - Keeping Financial Records (1 class period)

I. Case Study: Financial records are the basic records of any business. Manuel uses two: a guest check and a daily cash sheet.

Text: Guest Check
Daily Cash Sheet

II. Responses to Individual Activities

1. The daily cash sheet is a way of recording the cash sales for each day. It also lets the owner know how much money he or she has taken in and paid out each day. These records are used to find out what your profit and loss is at the end of each year.

The daily cash sheet includes the following information:

Cash receipts, which include:
a) Cash sales
b) Credit accounts

Cash payments, which include:
a) Salaries
b) Building expenses
c) Equipment and furniture
d) Inventory or supplies
e) Advertising
f) Other

2.

DAILY CASH SHEET			
Cash Receipts		Cash Payments	
Cash Sales	$ 250	Salaries	$ 600
Credit Accounts		Building Expenses	
		Equipment and Furniture	
		Inventory or Supplies	30
		Advertising	10
		Other*	60
TOTAL CASH RECEIPTS	$ 250	TOTAL CASH PAYMENTS	$ 700
		*Taxes and Laundry & Linen	

3.

DATE	SERVER	No. GUESTS	TABLE	AMOUNT
7-2	Ramon	1	4	$13.25

La Masia

Paella	6.50	
Mushrooms	3.50	
Flan	2.50	
Coffee	.75	

FOOD	13.25	
BAR		
SUB-TOTAL	13.25	
SALES TAX		
PLEASE PAY THIS AMOUNT →	$13.25	

Server	Guests	Table
Ramon	1	4

III. Responses to Discussion Questions

1. The discussion should include items such as the following:
   - invoices or customer billing forms from suppliers and services such as printers, supply sources, lawyers, accountants, insurance agents
   - purchase order forms from suppliers
   - checks and check stubs
   - income tax and other government forms
   - time cards from employees

2. Discussion should focus on services various businesses need. A restaurant owner would probably need credit card forms and receipts to keep track of a credit sale, as a retail business might. However, an answering service would not use credit card forms.

3. Discussion should be directed to include at least the following points:
   - The need to know how the business is doing for current and future planning purposes (including decisions on pricing, services, profits)
   - The need for accurate records for accounting and tax purposes and for banking (e.g., for establishing a line of credit and obtaining loans)

4. Part of keeping your restaurant successful is making sure your cash revenues are greater than your expenses each month. You can make sure you have enough cash each month by preparing a cash flow statement for a few months ahead. If you see shortages coming, you can make changes in your business so that you will be able to pay your bills. If you know that you will have extra cash, you can make plans to use it wisely.

IV. Group Activity

The purpose of this activity is to expose students to different types of financial or recordkeeping forms and to help them see the similarities and differences, if any, in their format.

Unit 9 - Keeping Your Business Successful (1 class period)

I. Case Study: The business has been operating for two years. Manuel takes a look at its performance each year and plans changes to make it more profitable.

Text: Keeping Track of Profit
Two-Year Profit/Loss Statement
Improving Net Profits
Changing Your Business to Increase Sales

II. Responses to Individual Activities

1. a) Make sure you have enough money on hand
   b) Keep profits up and costs down
   c) Make changes in your business whenever necessary

2. Gross profit refers to the money from retail sales after the wholesale costs have been paid. Net profit refers to the money left over from the gross profit after all the restaurant's expenses have been paid.

3. A restaurant owner might add additional items to his or her business. He or she may include alcoholic beverages or a separate bar area; dancing in the evening with a cover charge; or may change the hours--instead of opening for lunch and dinner, the owner may decide to open for just one of those meal periods.

III. Responses to Discussion Questions

1. Manuel's profit is hardly enough to pay his own salary. A business owner should earn the same or more than an employee in the same kind of business. Manuel probably earns less than many waiters. His profit is not much of a reward for all his hard work and the risks he has taken. Manuel doesn't have much left to improve his business, either.

2. Students' responses will vary. Accept any reasonable response.

3. Sales and profits may decline for a variety of reasons--inflation (fewer dollars to spend); poor management; an inappropriate pricing policy; limited menu selection; inadequate service and employees; shifting traffic patterns; a declining economy or community conditions; or poor advertising.

IV. Group Activity

The purpose of this activity is to review some of the major points discussed in this module with respect to planning, opening, and operating a successful restaurant. This exercise will help students integrate many of the facts, procedures, and problems encountered in operating a restaurant and review their own personal interest in the restaurant business.

The content outline of this module will be useful in developing the list of activities that students will then rate. At the conclusion of the exercise, you may wish to lead a class discussion to see whether students' feelings about owning and operating a restaurant have changed as a result of reading the module.

Summary (15-30 minutes)

If desired, the Quiz may be given prior to summarizing the module and doing wrap-up activities.

The Summary section of the Student Guide covers the main points of the module. You may wish to discuss this briefly in class to remind students of major module topics.

Remind students that their participation in this module was intended as an awareness activity so they could consider entrepreneurship as a career option. Their introduction to the skills required for successful small business management has been brief. They should not feel that they are now prepared to go out, obtain a loan, and begin their own business. More training and experience are necessary. You can suggest at least these ways of obtaining that experience: one way is to work in the business area in which they would eventually want to have their own venture; another is to go to school (community colleges are starting to offer AA degrees in entrepreneurship).

This is a good time to get feedback from the students as to how they would rate their experience with the module. Could they identify with the characters portrayed in the case studies? How do they feel about the learning activities?

You may want to use a wrap-up activity. If you have already given the quiz, you can go over the correct answers to reinforce learning. Or you could ask class members to talk about what they think about owning a small business and whether they will follow this option any further.

Quiz (30 minutes)

The quiz may be used as an assessment instrument or as an optional study tool for students. If you wish to use the quiz for study purposes, duplicate and distribute the answer key to students. In this case, student achievement may be assessed by evaluating the quality of students' participation in module activities.

Quiz Answer Key

1. d

2. a. really like food and people
   b. be skilled in buying, preparing, and serving food
   c. be willing to work hard and long hours
   d. have concern for the quality of the food and health of the community you serve

3. a. special food ideas
   b. delivery service
   c. provide community newspaper
   d. offer a small free item
   e. offer a separate eating area for kids

4. a. business license
   b. health department permit
   c. fire department permit

5. e

6. c

7. b

8. $25,000

9. a

10. b

11. a. friends and acquaintances
    b. employment agencies
    c. newspaper advertisement
    d. personal applications

12. a. physical ability
    b. educational qualifications
    c. personal qualifications

13. d

14. a. how much food is on hand
    b. how much is on order
    c. how much needs to be ordered

15. a. wholesale grocer
    b. fresh produce suppliers
    c. single product distributors
    d. processed food distributors

16. b

17. a. Yellow Pages
    b. newspaper ads
    c. direct mail

18. a. server (waiter or waitress)
    b. number of guests (customers)
    c. table being served
    d. date and amount of purchase

19. a

20. Net profit = $21,000
    Profit ratio = 10%
    Expense ratio = 50%

SUGGESTED READINGS

General Entrepreneurship References

Holt, N., Shuchat, J., & Regal, M. L. Small business management and ownership. Belmont, MA: CRC Education and Human Development, Inc., 1979.

Jeanneau, J. A. Small business management: Instructor's manual (4 vols.). Prince Albert, Saskatchewan: Department of Manpower & Immigration, Training Research and Development Station, 1973.

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Nelson, R. E., Leach, J. A., & Scanlan, T. J. Owning and operating a small business: Strategies for teaching small business ownership and management. Urbana, IL: University of Illinois, Department of Vocational/Technical Education, Division of Business Education, 1976.

Rowe, K. L., & Hutt, R. W. Preparing for entrepreneurship. Tempe, AZ: Arizona State University, College of Business Administration, 1979.

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Bank of America. Small business reporter: Restaurants and food services, 12(8). San Francisco, CA: 1977.

Hatchett, M. S. Food service management. Austin, TX: University of Texas at Austin, Continuing Education, 1975.

Acknowledgment: Juan Jose, owner of La Masia, 9077 Santa Monica Boulevard, Los Angeles, California.

GOALS AND OBJECTIVES

Goal 1: To help you plan your restaurant.

Objective 1: Describe the services, customers, and competition of a restaurant.

Objective 2: List three special personal qualities a restaurant owner needs.

Objective 3: List ways to help your business "stand out" from its competition.

Objective 4: List one legal requirement for running this business.

Goal 2: To help you choose a location for your restaurant.

Objective 1: List three things to think about in deciding where to locate your restaurant.

Objective 2: Pick the best location for a restaurant from three choices and explain your choice.

Goal 3: To help you plan how to get money to start your restaurant.

Objective 1: Write a business description for your restaurant.

Objective 2: Fill out a form showing how much money you need to borrow to start your restaurant.

Goal 4: To help you select and manage the people with whom you work.

Objective 1: Given the general tasks of a restaurant owner and several employees, decide how to divide the work.

Objective 2: Select from a list of restaurant applicants those acceptable for your restaurant.

Objective 3: List three ways employee training can help your business.

Goal 5: To help you buy and keep track of your supplies.

Objective 1: Select a merchandise supplier, decide how much you will buy, and develop a schedule for ordering the supplies.

Objective 2: Compute the total amount of your purchase order for your business.

Objective 3: Compute the amount of inventory on hand on a certain date.

Goal 6: To help you decide how to set prices for your restaurant business.

Objective 1: Given things to consider about the prices of a meal, select the best price.

Goal 7: To help you learn ways to advertise and sell your restaurant.

Objective 1: Choose the best way to advertise your restaurant for a specific purpose.

Objective 2: Develop a printed ad for your restaurant for the Yellow Pages or a newspaper.

Goal 8: To help you learn how to keep financial records for your restaurant.

Objective 1: Fill out a customer guest check form.

Objective 2: Fill out a daily cash sheet for money received and paid out in one day.

Goal 9: To help you learn how to keep a restaurant successful.

Objective 1: Figure out the net profit (before taxes), profit ratio, and expense ratio for this business.

Objective 2: State one way this business could increase its profits.

Objective 3: Suggest a way to change your business to increase sales.

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